

The Role of Financial Aid in Enrolment Management

A Canadian Perspective

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Overview

- Government aid: USA and Canada
- SEM financial aid definitions
- SEM as policy tool
- Institutional aid: Canada
- Questions, comments, debate

Government aid: USA

- Circa 1653 1st bequest Harvard College
- 1935 National Youth Administration
- Circa 1940 GI Bill of Rights
- 1954 Birth of needs analysis (CSS)
- 1958 National Defense Education Act
- 1964 Work Study (Educ Opp Act)
- 1965 HEA — grants, loans, work-study

Government aid: USA cont'd

- 1972 Basic Education Opportunity Grant (now Federal Pell Grants for low-income students)
- Also, GSL for middle income students
- 1978 Middle Income Student Asst Act, ensuring access and institutional choice for the middle class

Gov't Aid USA: theory

- 1975 A. Astin examined relationship between loans and grants to student persistence
- V. Tinto linked students' pre-entry attributes, academic intentions, formal/informal college experience with students' academic/social integration leading to persistence decisions

Gov't aid USA: summary

Coombs (2000) identified three forces leading to SEM as organizational function in mid-70s:

- gov't and institutional aid for access & choice
- a body of empirical research on college choice & student attrition
- projections of significant decline in enrolment

Government aid: Canada

- Pre-1939: institutional aid only
- 1939 Dominion-Provincial Student Aid Program (DSAP)
- DSAP part of Youth Training Act (national economic policy) because education funding a provincial right
- Quebec opted out in 1954

Gov't aid: Canada, cont'd

- 1964 CSLP created, guaranteeing loans to full-time students, administered through provinces (Quebec opted out)
- 1983 CSL Act amended to include loans for part-time students, increased weekly loan limits, interest relief, and cancellation of debt for certain borrowers

Gov't aid: Canada, cont'd

- Initially, provinces supplemented CSL with grants first, then loans, and loan rebates
- 1990s—most provincial gov'ts replaced grants with loans, sometimes in favour of tax credits, shifting public aid from poorer to richer students

Government “SEM”: Canada

- 1988-94, the Canada Scholarships Program, Mulroney’s federal program to encourage more women (and also men) into degrees in science, engineering and agriculture
- 1999, Chretien’s Canada Millennium Scholarship Foundation (CMSF) to recognize excellence and leadership; which actually became a largely need-based program

“[Since the 1990s,] students, families, and public policymakers perceive college costs to be growing at uncontrollable rates. College and university policymakers perceive increasing competition for students. Educational consumers perceive student aid as an entitlement and a bargaining chip to be used to secure the best possible enrollment conditions. All of these perceptions are grounded in reality.”

(Coomes, 2000)

SEM financial aid definitions

- Cost, price, and general subsidy
- Cost drivers
- Source of funds for institutional aid
- Packaging financial aid:
 - Preferential packaging
 - Differential packaging
 - Price-sensitive packaging (leveraging)

COST, price, general subsidy

Cost: What institutions spend to provide an education and related educational services to students. This includes cost per student, which is the average amount institutions spend annually per each full-time equivalent student—usually calculated by program.

Cost, PRICE, general subsidy

Price: What students and families are charged and what they pay.

- Sticker price (tuition & fees)
- Total price of attendance
- Net price

Cost, PRICE, general subsidy

Sticker price: The amount of tuition and fees that institutions charge students to attend, and the amount institutions list in their publications

Cost, PRICE, general subsidy

Total price of attendance: All the costs a student incurs to attend a particular institution, including tuition and fees, books and supplies, housing expenses, transportation, and miscellaneous

Cost, PRICE, general subsidy

Net price: The amount students pay after financial aid has been subtracted from the price of attendance

- **Affordability:** The total price of attendance less grants, or the amount of money a student actually pays to attend college.
- **Access:** The total price of attendance less all financial aid awarded—grants, loans, and work study—to measure the amount of money a student needs in order to enter the college or university.

Cost, price, general SUBSIDY

General subsidy: The difference between the cost to the institution of providing an education ('cost per student') and the tuition charged to students ('sticker price'). The amount of that general subsidy differs greatly by institution with students attending public institutions receiving large government-supported general subsidies.

Cost, price, general subsidy

Consumer confusion (Russo and Coomes, 2000):

Whether consumers consider sticker price or net price (and even which net price) may determine which type of institution they feel is most affordable.

Cost drivers,

Russo & Coomes, 2000

- People
- Facilities
- Technology
- Regulations
- Expectations
- Financial aid

Financial aid as cost driver

“there is . . . evidence that increases in institutional aid have been one of the cost and price drivers, as institutional aid grew by 178 percent between 1987 and 1996. Since most of the revenue for institutional aid comes from tuition dollars, it seems reasonable to conclude that tuition could have increased slightly less had institutions not been putting these revenues into institutional aid” (National Commission on the Cost of Higher Education, 1998)

Funding for institutional aid

- Endowment income
- Annual giving (usually pledged)
- Tuition income

Funding for institutional aid

- Endowment income and annual gifts both provide the student recipients with price discounts but still provide revenue to the institution.
- Scholarships funded by tuition provide discounts for student recipients, but reduce institutional revenue, creating an expense on the cost side of the operating budget.

Funding for institutional aid

Tuition-funded institutional aid:

In a very real sense, those students who are paying tuition, sometimes with loans, are helping to fund those who are receiving (tuition funded) scholarships (Russo and Coomes, 2000, 40).

Funding for institutional aid

Scholarships and grants given without regard to financial need are [called] non-need or merit awards. A primary reason for increasing levels of institutional based merit aid has been the need for colleges to use “their limited funds to address institutional priorities of quality and diversity” (Duffy and Goldberg, 1998, p.208).

Merit awards are no longer seen as a reward for services or potential, but as an important cog in the enrollment management machine (Russo and Coomes, 2000, p.40).

Aid packaging definitions

(Duffy and Goldberg, 1998)

Preferential packaging: Packaging the most desirable student applicant's need-based financial aid awards with more grant and less loan aid. The intent is to recognize academic and other distinctions and reward those distinctions by lowering the net [price] to students.

Aid packaging, cont'd

Differential packaging: “Awarding . . . more attractive packages to the most needy, rather than the academically strongest students. Although intended to ensure that the most needy students do not graduate with enormous debt, differential packaging policies have also helped colleges attract minority students without explicitly favoring them”

Aid packaging, cont'd

Price-sensitive packaging: predicated on the assumption that the applicant's desire to attend the institution should determine how the applicant is packaged. Using sophisticated marketing data and econometric models, student aid and admissions officers can project which students are most likely to choose and then enrol at a particular college.

Aid packaging, cont'd

Students who are deemed 'locks' are awarded smaller packages or packages with higher levels of self-help (thus increasing the net price to the student).

Students who are wavering (particularly students from categories the institution has targeted to meet diversity or academic enhancement goals) are awarded packages meeting their full need or packages with a more favorable grant to self-help ratio (Russo and Coomes, 2000)

Consequences of leveraging

- the rise of financial aid consultants [used by both institutions and families]
- the changed perception on the part of student aid consumers that financial aid awards are negotiable

(Mumper, 1999)

Student Aid Leveraging

Financial Need \Rightarrow	High need, Low achievement	High need, High achievement
	Low need, Low achievement	Low need, High achievement
	Academic Performance \Rightarrow	

School-based aid: Canada

For recruitment:

- Entrance scholarship programs (often tiered and guaranteed)
- Renewable awards (often with high standards for renewal)
- Leadership awards
- Athletic awards
- Co-op programs
- Guaranteed awards for 'unmet need'

School-based aid: Canada, cont'd

For retention:

- In-course scholarships
- Co-op programs
- Bursaries (need-based awards)
- Work-study (need-based jobs)
- Emergency aid (often loans)
- Food banks

The role of financial aid in Canadian SEM

Questions, comments, debate